AUDIT TRAILS

An Auditor's Viewpoint

Mr. Luther Bragg, Assistant Auditor General-Financial Management and Comptroller Audits and Mr. Dean Lydic, Naval Audit Service

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Agenda

- Audit Trails Defined
- Legislative Acts/Criteria
- Audit Trail Users
- Audit Trail Types
- Management’s Responsibilities
- Source Documents
- Accounts Payable Example
- Questions

Audit Trail Definition

Records contain sufficient information to physically track any single transaction from it’s inception to it’s appearance in the financial reports and from the financial reports to the source records.

Legislative Acts/Criteria

Federal Managers' Financial Integrity Act of 1982 – Established specific requirements with regard to management controls

Government Performance and Results Act of 1993 – Required agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals.

OMB Circular A-123 "Management Accountability and Control" - Documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

DOD FMR Vol. 1, Chapter 3,"Key Accounting Requirements No. 8 Audit Trails" – Fundamental requirement for any compliant accounting system is that the financial transactions be adequately supported and be traceable to source records.

Audit Trail Users

- Navy management
- Naval Audit Service
- Naval Inspector General
- Naval Criminal Investigative Service
- Department of Defense – Inspector General
- Government Accountability Office
- Private CPA firms

Audit Trail Types

- Paper - hardcopy
- Electronic - softcopy
- Combination of paper & electronic

Audit Trails and Internal Controls

Audit trails are misnamed.

They are not just for the audit community.

They are a management tool used in the monitoring component of internal controls.

Management Responsibilities:

- Creating audit trails
- Maintaining audit trails
- Examining audit trails
- Readily provide

Source Documents

Source documents are what start transactions that flow to the financial statements.

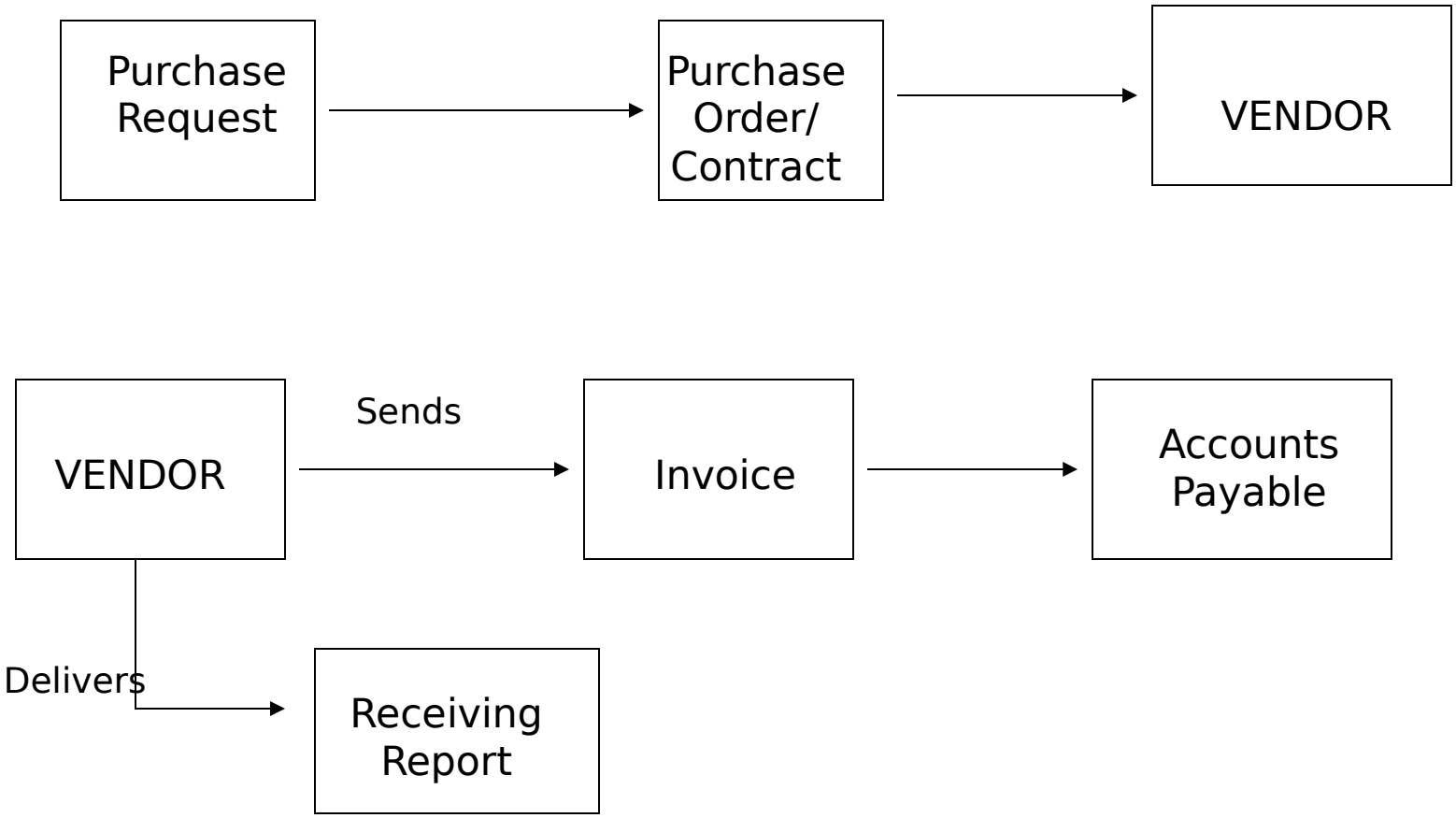
Source documents will differ among the different financial statement accounts.

Computer system printouts are not source documents.

Source Documents Examples

Account	Source Records
Operating M & S	Purchase Request
Structures	Contractual Procurement
Accounts Payable	Purchase Request
Accrued Payroll	Timesheets

Accounts Payable Example



Accounts Payable (cont)

Auditor samples Accounts Payable and wants to see:

- Invoice to validate accounts payable amount
- Receiving report to validate accounts payable
- PO/Contract to validate prices & items
- Purchase request to determine if a valid purchase

Questions/Comments